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SC PUBLIC SERVICE
COMMISSION

June 10, 2014

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Jocelyn Boyd
Chief Clerk and Administrator
SC Public Service Commission
P. O. Drawer 11649
Columbia, SC 29211

Re: Kiawah Island Utility, Inc.
DOCKET NO. 2012-252-WS; ORDER NO. 2013-107
Our File No.: 5435-002

Dear Ms. Boyd:

Our firm represents Kiawah Island Utility, Inc. ("KIU") and Kiawah Resort Associates, LP ("KRA"), the sole shareholder of KIU.

I have enclosed KIU's Request to Substitute Lender and Substitute Entity for Transfer of Stock. Since the loan is scheduled to close on or before June 30, 2014, we ask the Commission to handle this request on an expedited basis.

On February 19, 2013, the Public Service Commission issued Order No. 2013-107 in Docket No. 2012-252-WS granting KIU's request to approve a loan from Wells Fargo Bank and the transfer of the stock in KIU from KRA to Bear Island Holding, LLC, an entity comprised of the same ownership as KRA.

KIU now desires to obtain the loan from PNC Bank, National Association ("PNC"), rather than Wells Fargo Bank ("WFB"). The PNC loan will be for a lesser amount and will allow the extension of credit up to \$16,000,000, in comparison to the loan from WFB that allowed the extension of credit up to \$19,200,200. The loan proceeds will be used identically.

Also, KRA and KIU will have to substitute a different entity for Bear Island Holdings, LLC to receive the stock from KRA. This new entity, known as KIU Holdings, LLC, is also

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entirely owned by the owner of KRA. The reason for this request to substitute a new entity for the transfer of the stock in KIU has to do with a change in the ownership of KRA last year. On May 31, 2013, Coral Canary Land, LLC, acquired the entire ownership of KRA. Coral Canary Land, L.L.C. did not acquire Bear Island Holdings, LLC as part of this transaction. KIU Holdings, LLC is a limited liability company entirely owned by Coral Canary Land, LLC. This will be an internal transfer of the stock rather than a sale of the stock. Everything would be the same as the transactions described in Order No. 2013-107 with the exception that KIU Holdings, LLC, will be substituted for Bear Island Holdings, LLC.

Just as with the approved transfer of the stock to Bear Island Holdings, LLC, the transfer of the stock to Kiawah Island Utility Holdings, LLC will not change anything with respect to the operations and management of KIU, nor have any effect on KIU's customers.

The change in the entity receiving the stock does not alter the reporting requirements or any of the terms of the settlement agreement that was approved by the Commission in Order No 2013-107. In that Order and in the approved Settlement Agreement, all parties and the Commission agreed that the transactions being approved were in the public interest. All the terms of the Settlement Agreement remain in effect and unaltered.

I have recently communicated about this request with the attorneys for ORS and the Town of Kiawah Island which intervened in Docket No. 2012-252-WS. Both are copied on this letter.

Because the PNC loan is scheduled to close by June 30, 2014, we would ask that the Commission handle this request on an expedited basis. If the Commission needs any additional information to consider this request, we are prepared to respond immediately.

Thanking you in advance for your many courtesies in these regards, I am,

Sincerely yours,

PRATT-THOMAS WALKER, P.A.

A handwritten signature in black ink, appearing to read "G. Trenholm Walker", written in a cursive style.

G. Trenholm Walker

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GTW\yye

Enclosures (As noted)

c: F. David Butler, Esq.
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Frank R. Ellerbe, III, Esq.
Trey Howell, Esq.
Townsend Clarkson
Becky Dennis
Patrick Melton

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-252-WS**

IN RE:)	
)	
Application of Kiawah Island)	REQUEST OF KIAWAH ISLAND
Utility, Inc., for Approval to)	UTILITY, INC. TO SUBSTITUTE LENDER
Transfer Stock to Bear Island)	AND SUBSTITUTE ENTITY
Holding Company, LLC, and for)	FOR TRANSFER OF STOCK
Approval to Enter Into a Loan)	
Agreement)	
<hr/>)	

In its Order No. 2013-107, dated February 19, 2013, the South Carolina Public Service Commission: (1) approved the Application of Kiawah Island Utility, Inc. ("KIU" or the "Applicant") to enter a Loan Agreement with Wells Fargo Bank ("WFB"), (2) approved the transfer of the KIU's stock to Bear Island Holdings, LLC, as part of the loan transaction, and (3) approved the settlement entered with ORS and the Town of Kiawah Island (intervenor) that imposed certain reporting requirements after the closing of the loan.

The approved transaction did not close last year due to unrelated matters that included the sale and transfer of the entire ownership in Kiawah Resort Associates, L.P. ("KRA"), the sole shareholder of KIU, to Coral Canary Land, LLC, on May 31, 2013.

KIU still desires and needs to refinance its bank debt and obtain additional capital but has switched lenders from WFB to PNC Bank, National Association ("PNC"). The new loan with PNC would provide a credit facility up to a maximum total loan amount of \$16,000,000. KIU will use the proceeds of the PNC loan exactly in the same manner as it would have used the proceeds of the WFB loan: to pay off all of KIU's existing term

debt to RBC Bank (currently \$7,020,678), to construct a needed second water supply line from Johns Island to Kiawah Island, and to fund general working capital

Additionally, KRA now desires to make an internal transfer of the KIU stock to a different single purpose limited liability company -- KIU Holdings, LLC -- that is wholly owned by Coral Canary Land, LLC, the owner of KRA. Coral Canary Land, LLC, did not acquire ownership of the interests in Bear Island Holdings, LLC when it acquired KRA on May 31, 2013. Coral Canary Land, LLC is the sole owner of KIU Holdings, LLC. As stated in the initial application and in the Commission's Order No. 2013-107, the management, control, and operation of KIU will be unaffected by either the loan or the internal transfer of the KIU stock to another entity that is wholly owned by the owner of KRA.

The already approved transactions remain exactly the same except for the substitution of PNC for WFB and the substitution of KIU Holdings, LLC for Bear Island Holdings, LLC. The terms of the approved settlement remain the same and in full force and effect. There will be no adverse impact on KIU's provision of water and sewer services nor on its customers.

Because the loan with PNC must close before June 30, 2014, KIU requests that this approval of the substituted lender and stock recipient be expedited.

KIU files this Request for Substitution pursuant to 26 S.C. Code Regs. R. 103-704, R. 103-504, R. 103-743, R. 103-541 (Supp. 2013) and the Commission's Rules of Practice and Procedure.

For these reasons KIU requests approval to substitute PNC Bank for WFB and KIU Holdings, LLC for Bear Island Holdings, LLC., and that the Public Service Commission expedite the request to allow the loan from PNC Bank to close before June 30, 2014.

Respectfully submitted.

BY: 

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ATTORNEYS FOR KIAWAH
ISLAND UTILITY, INC.

June 10, 2014

Charleston, South Carolina